

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Community & Economic Development State Revenue Sharing Budget Request Unit Budget Summary**

## **State Revenue Sharing Budget Request Unit**

**Contact: Pat Poland, Director**

**Tel:** (907) 269-4580 **Fax:** (907) 269-4539 **E-mail:** Pat\_Poland@dced.state.ak.us

### **BRU Mission**

To provide for a sharing of fish taxes collected outside municipal boundaries to municipalities that demonstrate they suffered significant effects from fisheries business activities.

To share with affected local governments revenues earned from activities within the Tongass and Chugach National Forests to be used for schools and roads.

To compensate cities in the unorganized borough for lost revenues due to the location of federal lands within their respective areas.

To improve local governments' fiscal capacities and to assure no municipality suffers impoverishment of necessary public services, relative to other municipalities, because of the chance location of taxable wealth in the state.

### **BRU Services Provided**

Under this BRU, the Community and Business Development Division administers four important revenue sharing programs for the financial support of Alaska's communities. These formula funded programs include both state and federal dollars and have proven highly beneficial to Alaska's communities in providing basic public services to their citizens. By consolidating the administrative responsibilities of these programs, the State is able to offer a high level of assistance to the participating communities in a very efficient manner.

### **BRU Goals and Strategies**

Help Alaska local governments deal with significant impacts on community services and infrastructure arising from proximity to the fishing industry.

Distribute both state and federal financial assistance in an accurate, fair, and timely manner.

Improve the fiscal capacities of Alaska's local governments.

### **Key BRU Issues for FY2002 – 2003**

Cuts in State Shared Revenues - Despite the drastic cuts made to these programs, the State Revenue Sharing and Safe Communities Programs continue to be important sources of funding for Alaska's local governments, particularly the small rural cities. For many of the rural cities, these funds still represent a significant portion of their operating budgets. In FY 86, these programs totaled \$140,939,000. In FY 02 these programs totaled \$29,330,587 an 80% decrease in annual funding not adjusted for inflation. The funding cuts have had a dramatic impact on Alaska's local governments and their residents. These impacts include:

- Municipal Dissolution
- Significant Reduction in Public Services and Public Health
- Deteriorating Infrastructure
- Increased Social Problems
- Insurance Unavailability and Rate Increases
- Increased IRS and ESC problems and levies
- Decline in Urban/Rural Business Activity
- Increased Local Taxes

### **Major BRU Accomplishments in 2001**

Distributed community financial assistance payments in an accurate, fair and timely manner.

**State Revenue Sharing**  
**BRU Financial Summary by Component**

*All dollars in thousands*

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula</u></b>												
<b><u>Expenditures</u></b>												
State Revenue Sharing	12,855.2	0.0	0.0	12,855.2	12,855.2	0.0	0.0	12,855.2	12,855.2	0.0	0.0	12,855.2
Municipal Assistance	15,638.2	0.0	0.0	15,638.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Program Receipts	0.0	5,556.8	0.0	5,556.8	0.0	15,830.0	0.0	15,830.0	0.0	15,830.0	0.0	15,830.0
Fisheries Business Tax	0.0	0.0	1,403.6	1,403.6	0.0	0.0	1,000.0	1,000.0	0.0	0.0	1,150.0	1,150.0
<b><u>Non-Formula</u></b>												
<b><u>Expenditures</u></b>												
None.												
<b>Totals</b>	<b>28,493.4</b>	<b>5,556.8</b>	<b>1,403.6</b>	<b>35,453.8</b>	<b>12,855.2</b>	<b>15,830.0</b>	<b>1,000.0</b>	<b>29,685.2</b>	<b>12,855.2</b>	<b>15,830.0</b>	<b>1,150.0</b>	<b>29,835.2</b>

## State Revenue Sharing

### Proposed Changes in Levels of Service for FY2003

Congress has enacted legislation (HR 2389) that will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program funding level will increase in FY03 to approximately \$180 to \$200 million. The division estimates that the Department's pass-through share for cities in the Unorganized Borough in FY 03 will be between approximately \$5 to 6 million. The FY02 budget was increased in anticipation of these increased revenues.

## State Revenue Sharing

### Summary of BRU Budget Changes by Component

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>12,855.2</b>	<b>15,830.0</b>	<b>1,000.0</b>	<b>29,685.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Fisheries Business Tax	0.0	0.0	150.0	150.0
<b>FY2003 Governor</b>	<b>12,855.2</b>	<b>15,830.0</b>	<b>1,150.0</b>	<b>29,835.2</b>